



***SERVICE REDUCTION  
IMPLEMENTATION PLAN***

## **Executive Summary**

This report describes the steps City staff has taken to implement reductions to City services, levels of service, and the size of the City's workforce. These actions were taken in light of policy direction provided by the City Council when it adopted the FY 2003/2004 budget and in reviewing and responding to the 6-Point Action Plan.

Service Reductions. Service and levels of service reductions account for \$10.4 million needed to fill the projected \$14-\$15 million annual gap in the City's General Plan. These reductions will be phased during this and the next fiscal year. A description of the service reductions by department, and the date they were implemented or are planned to be implemented, are included on pages 6 - 11. It should be noted the service reductions that are listed later in the report are the most visible to residents, businesses, visitors, and co-workers. Service reductions in all City departments (except the Department of Employment Development) are described.

Work Force Reductions. Position eliminations are phased during this and next fiscal year. This year, a total of 53.6 full time, 5.6 part time, and 6.5 season/casual positions have been eliminated. Most of these positions were vacant. City staff continues to work with the City's four employee associations to create a bank of work hours to be donated by City employees. If successful, these work hours may be used to retain the five City employees who have received 60-day notifications of layoffs. An additional 12.8 full time and 3.0 part time positions were deferred to next year. It is hoped that vacancies will occur to allow City employees currently in these positions to be reassigned during this fiscal year.

Increases to Fees and Charges. Fee and charge increases account for \$1.5 needed to fill the projected \$14-\$15 million annual gap in the City's General Plan. The SMaRT Station Ground Lease Rental fee will require final action by the City Council. City staff continues to explore three new fees: emergency 911 fees, trench cut fees, and a municipal utility infrastructure fee. Staff also plans to submit an amendment to the fee schedule for Council consideration. The amendment will include new or revised fees for temporary traffic controls, shopping carts, and engineering permit review fees.

10-Year Capital Projects Plan. Revisions to the 10-Year Capital Projects Plan account for \$1.8 million of the amount needed to fill the projected \$14-\$15 million annual gap in the City's General Plan. A total of 66 projects were deleted or appropriated with reduced funding.

The \$1.2 million balance of the projected annual gap in the City's General Plan was filled through changes in rental rates, in-lieu fees/inter-fund transfers, and reductions to set-asides. These changes were implemented through the adoption of this year's budget.

## **Background**

In January 2003, the City Manager introduced a 6-Point Action Plan to close an estimated \$14-\$15 million gap between revenues and expenses in the City's General Fund. The City's budget crisis roared to life in the second half of FY 2000/2001, as the health of the local economy changed seemingly overnight from boom to bust. Three factors combined to create this budget crisis. They were:

1. A Worsening Local Economic Condition. Staff reduced revenue estimates for key City revenue sources such as Sales Taxes, Transient Occupancy Taxes (TOT), and Construction Taxes beginning in FY 2001/2002. These actions were taken in light of the recession-like economic conditions in many key industries within Silicon Valley. Despite the adjustments, revenues from Sales Tax and TOT continued to fall below the revised projections.
2. City Employee Personnel Costs. The City projects its future costs (including personnel expenses) in both its 10-Year Resource Allocation Plan and its 20-Year Financial Plan. Future costs for employee base wages and retirement programs are now expected to be higher than initially thought. Employee base wage rates are determined by formulas included in memoranda of agreement with the City's four recognized employee associations. These contracts can be changed only by mutual agreement of both the City and the employee associations. City costs for retirement programs are determined by contribution rates set by the California Public Employees' Retirement System (PERS). The City cannot opt out of PERS because of City charter requirements.
3. City Revenues Provided by the State of California. Sunnyvale receives significant revenues from the State of California through various sources such as Motor Vehicle License Tax Fees and Gas Tax Fees. The State collects these fees on behalf of cities and counties, and distributes them based on formulas. In past economic downturns, the State has taken revenues from these sources to solve its budget problems. Given a State budget deficit of \$38 billion, it appeared very likely that the State would again take revenues away from cities and counties. The Governor signed legislation adopting the FY 03/04 State budget in August. The budget that was approved by the State Senate differs from the budget approved by the State Assembly. Both versions reduce State provided revenues to cities and counties. State provided revenues to Sunnyvale's General Fund could be reduced by as much as \$1.8 million on a one-time basis. A more exact reduction can not be determined until the State Senate and State Assembly versions of the budget are reconciled.

The City Council adopted a budget for FY 2003/2004 that reduced the gap in the General Fund by \$14.9 million annually. This was accomplished by reducing expenses for capital projects, reducing service levels for City provided programs, cutting the size of the City's workforce, increasing fees and charges, and changing amounts of financial "set-asides" for special, designated purposes.

## **Current Financial Condition**

### **A. State of California FY 2003/2004 Budget**

After more than nine months of furious debate, the California Senate and Assembly approved in August a State budget for FY 2003/2004. The Senate adopted a budget that reduced to a larger degree the amount of State-provided revenues to cities and counties. Reductions were slightly more limited in the budget approved by the State Assembly. The Governor signed legislation establishing the State's FY 2003/2004 in August. Funding levels for the redevelopment agency property tax shift and booking fees will need to be reconciled when the Senate reconvenes in August.

The approved State budget will reduce the amount of State provided revenue to Sunnyvale. However, two factors mitigate the effect of this reduction. First, City staff anticipated that some State-provided revenues would be reduced, and did not include revenues from the following sources in the City's FY 2003/2004 budget:

- State mandated reimbursements
- California Law Enforcement Equipment Program grants
- Peace Officers Standards and Training reimbursements
- Public library grants

Second, the largest reduction is in Vehicle License Fee (VLF) revenues. The VLF "backfill" was eliminated from the approved State budget, while the increased VLF fees will not take effect until October 1, 2003. This creates a gap of about \$1.5 million in VLF revenues for Sunnyvale. The State pledged to repay these funds within three years. More importantly, this represents a one-time take away of VLF revenues, as opposed to a permanent take away. Assuming that the State does not honor its pledge to replace these revenues, this represents an annual reduction of about \$100,000 over the City's 20-year financial planning period. The State budget also reduces revenues to the City's redevelopment agency. The amounts range from \$163,000 to \$300,000. Redevelopment agency revenues also represent a "one-time" reduction. The actual reduction for Sunnyvale will be determined after the Assembly and Senate versions of the State budget are reconciled.

In addition to the reductions that affect General Fund revenues, the adopted State budget includes reductions to a variety of traffic and transportation, library, and law enforcement revenues. Details of the reductions in these areas and the effect on Sunnyvale are currently being determined.

In resolving its budget crisis this year, the State included a number of one-time solutions that will not be available again. Further, the State created a reported \$8.9 million deficit in next year's State budget. This figure may grow even larger, based on state and national economic conditions and legislative decisions made in Sacramento. State provided revenues to cities and counties may again be at risk as State officials attempt

to find ways to adopt a balanced budget. City staff will continue to monitor this situation. More definitive information may be available by January and reported to Council at the Future Fiscal Issues workshop.

#### B. Preliminary FY 2002/2003 Year End Financial Position

City staff is waiting for final information on revenues and expenses, along with the final adjustments to Sales Tax revenues provided by the State Board of Equalization, before closing the books for last fiscal year. Several preliminary conclusions can be drawn based on the information currently available. First, revenue totals for many key sources will be at or near the revised estimates that were provided to Council as part of this year's budget process. The May revised revenue estimates reduced total General Fund revenues from \$84.7 million to \$81.1 million. Based on this revision, Sales Taxes, Property Taxes, and Motor Vehicle License Fees will meet or exceed estimates. Utility Users' Taxes and Franchise Fees appear to be slightly below the revised budget projections. Transient Occupancy Tax revenues are expected to fall significantly below projections. Combined General Fund revenues from all sources are expected to total slightly more than 100% of the revised projections.

Second, the combined General Fund expenses for last fiscal year are projected to be approximately \$2.5 million lower than expected. These savings can be attributed to careful spending on goods and services, and the selective hiring freeze that left vacant positions unfilled during the fiscal year.

Third, these lower than expected costs represent one-time savings. Department directors and program managers included many of these vacant positions in recommended budget reduction packages. By policy, these savings are placed in the General Fund 20-Year Resource Allocation Reserve. For financial planning purposes, this can be used to offset the one-time \$1.8 million reduction in State provided revenue that resulted from the approved FY 2003/2004 California budget. The remaining savings not used to offset the State budget reductions may be used to defray further State funding reductions as they become known.

Finally, staff plans to provide the final FY 2002/2003 revenue and expenditure totals in November as part of Year-End Report. **Any required policy direction that results from this action will be identified and requested at that time.**

#### C. Local Economic and Market Conditions

We continue to receive mixed signals regarding local economic and market conditions. These mixed signals will require continued close monitoring and analysis. On the one hand, local business leaders are reporting that we may have reached the bottom of this economic downturn, with early signs of slight improvement. Room occupancy rates at some hotels may be stabilizing. Some technology related companies are reporting

improvements in either sales and/or profits. However, it is far too early to declare that the local economy has moved into a full, broad based upswing. Further, the California Public Employees Retirement System (PERS) reported that it ended the year with a net 3.9% increase in market performance. Although the increase is lower than PERS actuarial assumptions, this increase ended two straight years of negative market performance. This may lessen expected increases in future year's PERS contribution rates.

On the down side, four other factors could exert a negative pull on local economic and market conditions in general and the City's revenue and expenditure patterns. First, the economic recovery both on a national and local basis does not seem to be reducing the unemployment rate. As of July 2003, the unemployment rate in Santa Clara County is at 8.4%. At the moment, we are in a "jobless economic recovery". Second, office and commercial vacancy rates remain high. Again, companies and business seem unwilling to expand until solid signs emerge that this is a long-term economic recovery. Third, changes in property tax revenues historically are the last to be affected, either by economic downturns or upswings. Rising interest rates and office and commercial vacancy rates may combine to reduce future property tax revenue totals. Staff is working with the County Assessor's Office to watch for early signs of this potential trend. Finally, the pace of redevelopment at the Sunnyvale Town Center, and the downtown in general, will affect future Sales and Property Tax totals.

Staff will be watching both the positive and negative economic indicators, and will provide updated information as part of the January 2004 Future Fiscal Issues workshop.

### **Implementation Plan: FY 2003 / 2004 Phase**

Based on Council policy direction and the adopted FY 2003/2004 budget, staff has developed an implementation plan to close the estimated \$14-\$15 million gap between revenues and expenses in the General Fund. This plan follows the steps contained in the 6-Point Action Plan. Selected capital projects have been deleted. City service and workforce reductions have been identified, and will be phased in during a two-year period. Changes to rental rate formulas, in-lieu fees, and inter-fund transfers have reduced costs. Increased or new fees and charges have been approved. Taken together, these changes will close about 85% of the gap during this fiscal year.

#### **A. Reductions to City Services and Levels of Service (Point 6) .**

The following are the reductions to services and levels of service by department that may be most noticeable by residents, businesses, or visitors to the City. It should be noted that the tangible, visible effects of some of these service reductions might be difficult to notice at first. For example, there may be no noticeable difference to residents of lengthening the street tree pruning cycle from 4.5 to 5.5 years. The effects of the reduction of the number of work hours for this service may be gradually felt. In addition, as this service reduction is implemented, staff will be better able to assess the anticipated, and unanticipated, results of service level reductions such as this one.

- Public Works. The Department manages a total of 11 programs. Five are funded through the General Fund. Three are funded through the Utility Enterprises Fund. The remaining three programs are funded through the Parking District, SMaRT Station, and General Services Funds. All reductions without an existing or scheduled implementation date will be enacted before the end of this fiscal year.

## Service

## Implementation Date

■ reduce the frequency of street sweeping from two weeks to four weeks	September 30, 2003
■ reduce City tree maintenance service	July 1, 2003
- change tree pruning cycle from 4.5 to 5.5 years	
- eliminate roadway tree watering for new and recently planted trees	
- eliminate roadway tree root and pest mitigation	
- reduce single service request pruning	
■ reduce landscape maintenance in street medians	July 1, 2003
- eliminate annual flower planting	
- reduce weeding frequency	
- reduce litter pick up	
- reduce groundcover edging	
- reduce tree and plant replacement by 50%	
■ eliminate surveying 10% of sidewalks for defects	July 1, 2003
■ eliminate sewer lateral and cleanout repairs	December 31, 2003
■ reduce environmental education activities provided at the Water Pollution Control Plant	July 1, 2003
■ reduce storm drain preventive maintenance	July 1, 2003
■ increase wait times for concrete sidewalk repairs to five years	July 1, 2003
■ reduce the frequency of sewer main maintenance	December 31, 2003
■ lengthen preventive maintenance cycles on the water distribution system	September 30, 2003
■ eliminate the demand management program used to promote water conservation	July 1, 2003
■ reduce staff participation in after working hours meetings, discretionary bike inquiries, and traffic calming studies	July 1, 2003

- Parks and Recreation. The department manages seven programs. Three are funded through the General Fund. The other four are included in the Community Recreation and General Services Funds.

**Service****Implementation  
Date**

## For Baylands Park

- reduce turf cutting and care and plant maintenance July 7, 2003
- close one set of restrooms July 7, 2003
- stop planting color annuals and native grass ground covers July 7, 2003
- no longer replace dead or diseased trees July 7, 2003
- reduce litter and debris pick up July 7, 2003
- reduce the number of on-site staff presence July 7, 2003

## For Neighborhood Parks and Open Space

- stop operating ornamental water features at all parks except the Community Center July 7, 2003
- reduce turf cutting and care, and ground cover maintenance July 7, 2003
- reduce litter and debris pick up July 7, 2003
- stop providing free materials to co-sponsored sports groups to prepare fields for events July 7, 2003

## For other programs

- close Creative Arts Center Gallery July 1, 2003
- reduce therapeutic recreation direct programming September 1, 2003
- reduce janitorial service levels by 40% for City maintained buildings July 1, 2003
- eliminate summer picnic ambassadors from neighborhood parks July 1, 2003
- drop the cultural diversity special event, and reduce significantly the July 4<sup>th</sup> special event July 1, 2003

- Libraries. The department manages four programs. Three are funded through the General Fund; Sc[ij]<sup>3</sup> is funded through a Special Revenue Fund.

**Service****Implementation  
Date**

- eliminate bookmobile services August 21, 2003
- reduce programs targeted for adults and longer wait times for assistance with reference questions July 1, 2003

- Community Development. The department manages five programs. Three are funded through the General Fund, and two are funded through the Redevelopment Agency Fund or the Community Development Block Grant Fund. All reductions without an existing or scheduled implementation date will be enacted before the end of this fiscal year



**Service****Implementation  
Date**

- reduce by 25% the administrative support provided to outside contracts July 1, 2003
  - longer wait times at peak demand times at the one-stop counter
  - limit the planned expansion of the Lakewood Village Neighborhood Enhancement Program to 200 properties July 1, 2003
  - streamline the City Council appeal process July 1, 2003
  - eliminate the City Council pre-appeal process
  - reduce by about 75% marketing and "Shop Sunnyvale" advertising efforts
  - reduce neighborhood dumpster clean up days to Saturday only July 1, 2003
- Public Safety. This department manages five programs, which are primarily funded through the General Fund, with supplemental funding provided through State grants or asset forfeiture monies.

**Service****Implementation  
Date**

- reduce vice & narcotics unit supervision and staffing August 4, 2003
- reduce the number of hazardous materials inspections at permitted facilities July 1, 2003
- longer wait times (from 3 to 5 days) for issuing hazardous materials permits July 1, 2003
- longer wait times for investigations into citizen complaints and internal discipline cases (if grant funding is no longer available July 1, 2004
- reduce number of fire prevention inspections July 1, 2003
- increased turn around time for completing fire related portions of building inspections July 1, 2004
- restructure top command staff with a net reduction of one management position September 30, 2003
- elimination of work hours and costs allocated to staff positions unused because of vacancies or assignments of specialty positions to fire or police shifts July 1, 2003

Services and levels of service provided through the City's support departments were also reduced. Frequently, these reductions will be less noticeable to residents, businesses, and visitors because these departments provide services and activities that

support other operating departments. The following are the principal service reductions for these support departments.

- Information Technology. This department manages two programs; both are funded through the General Services fund.

Service	Implementation Date
■ eliminate technical assistance provided at City Council, Planning Commission, and other meetings broadcast live over cable TV	October 1, 2003
■ longer wait times for responding to customer complaints about Cable TV services	October 1, 2003
■ outsource a portion of IT training	January 2004
■ longer response times for providing one-on-one technical assistance	October 1, 2003
■ reduce after hours computer room operations support	October 1, 2003
■ slower response times for solving computer hardware and software problems	October 1, 2003
■ longer turnaround times for completing vendor printing jobs	July 1, 2003
■ longer response times for moving and installing equipment	October 1, 2003

- Finance. The department manages eight programs; all are funded through the General Fund, with one program fully reimbursed by the Utilities Funds

Service	Implementation Date
■ reduce from 7 to 4 the financial and operational audits completed each year	July 1, 2003
■ reduce follow up audits from 7 to 4	July 1, 2003
■ reduce by one-third the capacity to provide fiscal and legislative analysis for the City Council and City staff	July 1, 2003
■ drop implementation of the fixed assets module of the new Financial system	July 1, 2003
■ reduce City purchasing staff hours and reduce purchasing cards	July 1, 2003
■ longer wait times (from 30 to 60 days) for processing Business License Tax certificates	July 1, 2003
■ update fixed assets annually rather than every accounting period (13 times per year)	July 1, 2003

- Human Resources. This department manages five programs; only one is funded through the General Fund. The remaining four are funded through the Employee Benefits and Liability and Property Insurance Funds.

**Service**

**Implementation Date**

- |   |              |
|---|--------------|
| ■ reduce reimbursement for travel expenses of job candidates          | July 1, 2003 |
| ■ eliminate ECO pass program for employee commuting                   | July 1, 2003 |
| ■ restructure the City's training program                             | July 1, 2003 |
| ■ revise and reintroduce the employee suggestion awards program       | July 1, 2003 |
| ■ reduce use of outside executive search firms                        | July 1, 2003 |
| ■ reduce the use of consultant and legal services                     | July 1, 2003 |
| ■ reduce advertising and printing services related to job recruitment | July 1, 2003 |

- Office of the City Manager. This office manages eight programs; seven are funded through the General Fund, with the Columbia Neighborhood Services program funded through the Youth and Neighborhood Services Fund.

**Service**

**Implementation Date**

- |  |                   |
|--|-------------------|
| ■ drop the expansion of services provided through "Fun on the Run" activities, and consolidate "Fun on the Run" with the Parks and Recreation Department | September 1, 2003 |
| ■ drop or significantly reduce 7 organizational effectiveness activities   | July 1, 2003      |
| ■ limit CAPE assessments of organizational effectiveness   | July 1, 2003      |
| ■ rely more heavily on LCC grassroots efforts for intergovernmental relations and advocacy   | September 1, 2003 |
| ■ eliminate Community Events Grants Program funding  | July 1, 2003      |
| ■ drop planned enhancements to KSUN  | July 1, 2003      |
| ■ reduce the number of words to 200 for the candidate statements for municipal elections   | July 1, 2003      |

- Office of the City Attorney. This office manages one program. About \$154,000 in operating expenses were eliminated, beginning in FY 2004/2005.

Staff has previously provided Council with the effects these service reductions have on goals for outcome measures and work activities.

B. Reductions to the City's Workforce (Point 6 continued)

These service reductions will result in a smaller City workforce. A total of 66.4 full time, 8.6 part time, and 6.5 casual/seasonal positions will be eliminated during the next two years.

This fiscal year, 53.6 full time, 5.6 part time, and 6.5 casual/seasonal positions will be dropped. Most of these positions are currently vacant; as of this date, only seven positions are filled with full time, regular employees. City staff has been working to find alternative positions within the City for these employees; two employees have accepted or are planning to accept alternative placements, reducing the number of potential layoffs to five.

The City Council approved a budget modification that created a 90-day moratorium before these layoffs become effective. This allowed staff additional time to work to place these employees in other City positions as vacancies occur. City staff is also working with representatives from the four employee associations to develop a pool of work hours generated through donations of employee vacation and PTO leave. The intent of this effort is to create an additional 90-day delay in mandatory employee layoffs. If successful, this effort will be put in place no later than August 30, 2003.

An additional 12.8 full time and 3.0 part time positions are scheduled to be eliminated next fiscal year. By carefully using the City's financial reserves, these position eliminations can be delayed until next year. Staff anticipates that normal vacancies will occur in these job classifications so that these positions can be eliminated without any layoffs of full time or part time employees. Staff will monitor these positions and vacancies carefully during the fiscal year.

C. 10-Year Capital Projects Plan (Point 1)

A \$1.8 million reduction has been implemented this fiscal year to the City's 10-Year Capital Improvements Plan. The City Council provided preliminary policy direction in February 2003 when it reviewed proposed revisions to the 10-Year Plan. A total of 66 projects were deleted or appropriated with reduced funding. Associated operating expenses were reduced by \$154,000. Together, this closed \$1.8 million of the gap in the General Fund. Council approved these revisions when it adopted a new 10-Year Capital Projects Plan as part of its review and adoption of this year's budget.

D. Increases to Fees and Charges (Point 5)

In addition to examining ways to reduce expenses, City staff also identified options for increasing current or creating new fees and charges. In adopting the FY 2003/2004 budget and fee schedule, Council further closed the gap in the General Fund by an additional \$1.5 million. Three factors make up this total:

- FY 2003/2004 fee schedule \$150,000  
(reflects adjustment to full cost for most existing fees over a two-year period)

- New fees and charges

False Fire Alarm Fee:	\$100,000	
Ground Lease Rent for SMaRT Station	\$325,000	
		\$425,000

- Council authorized staff to continue to explore three other new fees

Emergency 911 Fee	\$250,000 (est.)	
Trench Cut Fee	\$ 50,000 (est.)	
Municipal Utility Infrastructure Fee	\$626,000 (est.)	
		\$926,000

About \$600,000 in new or increased fees were proposed by departments as part of their budget reduction packages. These were:

Business License Processing Fee	\$157,690
Community Planning Fee-General	\$ 75,000
Plan Maintenance	
DVD/Video Rentals at the Library	\$318,270
Temporary Traffic Controls	\$ 24,847
Shopping Cart Fee	\$ 8,500
Engineering Permit Review Fee	\$ 30,000

The Business License Processing Fee, the Community Planning Fee, and the False Fire Alarm Fee are currently in place. The DVD/Video fees are scheduled to become effective in FY 2004/2005. The SMaRT Station Ground Lease Rental fee requires final Council action, which is planned this fiscal year. The fees for temporary traffic controls, shopping carts, and engineering permit reviews will be brought to Council in January 2004 for consideration. Staff plans to complete its research and present findings on fees for emergency 911, trench cut, and municipal utility infrastructure by the end of the year for consideration by the City Council.

E. Increasing Current or Establishing New Local Taxes (Point 5 continued)

Council established a 17-member Ad Hoc Advisory Committee to explore in detail the potential for increasing current or establishing new local taxes. Council accepted the Committee's final report on June 15<sup>th</sup>, and directed staff to take preliminary steps to place two special ballot measures on the November 4, 2003 regular City election. One ballot measure called for Sunnyvale voters to consider increasing the Business License Tax; the second ballot measure called for voters to consider raising the Transient

Occupancy Tax from 8.5% to 10.0%. At a special meeting on August 6<sup>th</sup>, Council decided not to place either special ballot measure on to the November 4, 2003 election.

F. Rental Rates and In-Lieu Fees/Inter-Fund Transfers (Point 2 & 4)

Council provided initial policy direction regarding changes to rental rates and in-lieu fees/inter-fund transfers in March 2003. This direction was incorporated into the FY 2003/2004 budget. Savings generated by these changes closed an additional \$445,000-\$535,000 of the gap in the General Fund. Additional savings in operating costs were included in reductions to services and levels of service.

G. Job Recruitment and Vacancy Review (Point 3)

A selective hiring freeze on filling new vacancies will continue this fiscal year, for two reasons. Last year's efforts contributed to an estimated \$2.5 million in operating savings for all departments in the General Fund. Normal turnover will create additional vacancies this fiscal year. Carefully using these vacancies can help to avoid layoffs next year fiscal year and to offset potential future reductions in State-provided revenues. Any reductions to service levels anticipated by holding positions vacant will be brought to the City Council for policy direction.

**Implementation Plan: FY 2004/2005 Phase**

As indicated earlier, the implementation of the 6-Point Action plan this fiscal year will close the \$14-\$15 million gap in the General Plan. Most of the planned elimination of full time, part time, and casual/seasonal positions were taken this fiscal year. However, the careful use of our financial reserves allows for 12.8 full time and 3.0 part time position eliminations to be deferred to FY 2004/2005. Many of these positions are currently filled. We hope that vacancies will emerge in similar job classifications so that City staff members in positions slated to be eliminated can be reassigned to vacancies to avoid actual layoffs.

City staff is closely watching the effects of the service level reductions that were described earlier in this report. The actual effects of these changes will become clearer as changes to work hours, operating practices, and procedures become more engrained. It is possible that unanticipated effects of the service level reductions could also emerge over time. If the planned reductions result in different or unanticipated results that affect service levels, staff will report these situations and request policy direction for the City Council.

**Summary**

The City's overall financial condition remains very fluid. Regional economic and local market conditions, along with decisions made in Sacramento, can affect the revenue side of the City's financial picture. Staff will continue to carefully watch expenditures to insure that we continue to use scarce local resources as efficiently as possible to deliver

City services at levels set by City Council. Staff will also closely monitor national, regional, and local factors that affect our financial condition, and provide Council with options for setting both short term and long term policy.